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State Dept. & NAVY reviews completed

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SOVIET UNION

1. USSR moves long-range submarines to Far East:

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According to the Office of Naval Intelligence, at least five submarines, probably boats of the two new long-range classes, have transited the northern sea route and, on 2 October, were on a southerly course along the east coast of the Kurile Islands. These are the first improved postwar submarines to arrive in the Far East and the first submarines since 1950 to be moved to Far Eastern waters via the northern sea route.

Comment: The deployment of five submarines from western USSR via the difficult northern sea route increases long-range submarine strength in the Soviet Far East by 25 percent. It may also reflect a Soviet plan to increase offensive naval strength in the Pacific Ocean Fleet more rapidly than production facilities in the Far East will allow.

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3. Comment on Chinese Nationalist protests against American "restraints":

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Chinese Nationalists in recent days have complained to newsmen on Formosa about American "restraints" on Nationalist military action against the mainland, and have described American policy as one of "reneutralization" of Formosa. These protests appear to reflect the desire of some Nationalist leaders to involve United States forces in military action against the Chinese Communists, in the hope of a Nationalist "return to the mainland" with large-scale American support.

The cessation of major Nationalist air and naval strikes against the mainland in the past ten days may well have been a factor in the decline of Communist activity in the Quemoy area during the same period, since continued Nationalist action might have forced the Communists to undertake a face-saving operation. The current Nationalist propaganda line, however, presents a new danger. Should the Communists come to believe that the United States is anxious to avoid hostilities in the area, the possibility of an early Communist attack on one or more of the offshore island groups would be increased.

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NEAR EAST - AFRICA

4. Two issues continue to block final Suez agreement:

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Egyptian foreign minister Fawzi told Ambassador Caffery on 7 October that the nearly completed negotiations with

the British for agreement on the Suez base have reached "two final road blocks." Certain customs arrangements and responsibility for housing British technicians are the unresolved issues.

Comment: According to Cairo press reports, the formal signing of the final agreement has been tentatively scheduled for 11 October. Negotiating teams have been attempting to reach final settlement since 27 July, when the "Agreement on Principles" covering the British evacuation of the base was signed.

5. Libyan king reported considering abdication:

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The American legation in Tripoli believes that King Idriss may be seriously considering abdication as a result of the 5 October assassination of Ibrahim Shalhi, his adviser and close companion for 40 years.

The legation reports that on 7 October Idriss unexpectedly summoned Crown Prince Rida and Prime Minister Ben Halim to a meeting at Tobruk. Official British speculation on the purpose of the meeting is that Idriss may desire to abdicate and believes that it can be arranged more easily at Tobruk, from where he could proceed at once to Egypt.

Comment: Idriss has always shown disinterest in the duties and responsibilities of his office. It is, accordingly, possible that the shock following the murder of his intimate adviser may influence him to renounce his office.

Idriss' abdication would bring to the Libyan throne his 64-year-old half brother, Sayyid Muhammad Rida, a weak and ineffectual individual, who would do little to strengthen the position of the monarchy in Libya.

Until more evidence becomes available, however, this report must be treated with reservation.

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WESTERN EUROPE

6. Adenauer's coalition partners reluctantly support London agreements:

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[Redacted]

Chancellor Adenauer won parliamentary approval for the London agreements only by using "strong pressure" on the Christian Democrats' coalition partners, according to Ambassador Conant in Bonn.

A majority of the Refugee Party wanted to withhold approval until the chancellor clarified his policies on the Saar and reunification. A "knockdown, drag-out battle" took place in the ranks of the Free Democratic Party before the 7 October Bundestag foreign policy debate. Although Free Democratic chairman Dehler was finally forced into line, a Christian Democratic spokesman questioned how long his loyalty to the coalition would last.

Comment: Adenauer will probably have considerable difficulty in maintaining his coalition solidarity, particularly if the French make further demands for safeguards. In an effort to gain greater popular support, the minor coalition parties are becoming more nationalistic and independent than previously.

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